

# Why the Form 990 Public Support Test Matters for Nonprofits

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Nonprofit organizations rely on public trust—and the Form 990 public support test plays a key role in maintaining it. This test helps determine whether a nonprofit qualifies as a publicly supported organization rather than a private foundation, which can significantly impact tax treatment, donor perceptions, and compliance obligations.

Below is a high-level look at why the public support test matters and how organizations can work to strengthen their results

## What Is the Public Support Test?

The public support test measures how much of a nonprofit's total support comes from the general public, government sources, and other public charities over a rolling five-year period. It is reported on Schedule A of Form 990 and applies primarily to organizations classified as public charities under IRC Sections 509(a)(1) and 509(a)(2). The items described below generally pertain to public charities under IRC Sections 509(a)(1) or organizations that generate support from the general public via gifts, grants, contributions, membership fees, and government-provided services without charge and not from performance of services for a fee or 509(a)(2) organizations.

It requires a 5-year rolling test, typically demanding >33.3% of support from public/government sources to maintain tax-exempt status, prevent “tipping” into private foundation status, and ensure maximum tax benefits for donors.

## Why the Public Support Test Is So Important

Maintaining public charity status offers several advantages, including:

- More favorable tax treatment and fewer regulatory restrictions
- Increased credibility with donors, grantors, the public and rating agencies.
- Avoidance of private foundation status with the corresponding excise taxes and payout requirements

Because the test is calculated over multiple years, trends matter. A single year of weak public support may not cause immediate issues—but repeated shortfalls can. A clear understanding of large future gifts and their impact on the support percentage should be analyzed.

## Common Factors That Can Weaken Public Support

Organizations may unintentionally fall short due to:

- Overreliance on a small number of large donors, corporations, or private foundations
- Declining general public donor participation or fundraising activity
- Shifts in revenue toward program service income or investment income
- One-time grants or contributions that skew the support mix

Understanding these factors early allows organizations to plan proactively.

## Strategies to Increase and Strengthen Public Support

While every organization is different, common strategies to improve public support include:

- Broadening and Diversify the donor base through individual giving campaigns that utilize a tiered giving option, including volunteering
- Increasing the number of small and mid-level donors by strengthening relationships and engagement through tailored recognition program
- Increasing the number of grants from other publicly supported organizations under IRC Sections 509(a)(1), which include Donor Advised Funds(DAFs) and Community Foundations
- Leverage Digital Platforms & Social Media to share impact-focused stories, host crowdfunding campaigns for specific projects, and increase visibility.
- Collaborate with local businesses for corporate sponsorship and encourage donors to use corporate matching gift programs.
- Diversifying funding sources (grants, fundraising events, memberships) by maintaining active solicitation programs with a clear and consistent communication
- Monitoring public support calculations annually—not just at filing time

Consistent tracking helps avoid surprises and supports better long-term planning.

The public support test is more than a compliance exercise—it's a key indicator of an organization's sustainability and funding strategy. If you have questions about your public support calculation, are experiencing changes in funding, or want to proactively plan for future years, we're here to help.

## How We Can Help

Please reach out to your Johnson O'Connor contact to discuss your Form 990 reporting or public support planning needs. We're happy to walk through the details and help ensure your organization stays on track.

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